

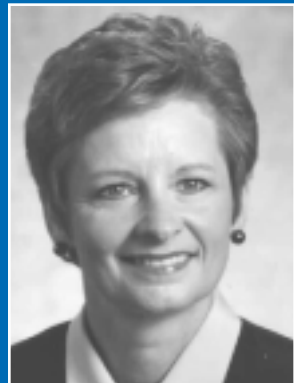


State Senator Connie Lawson
Senate, Statehouse
200 W. Washington
Indianapolis, Indiana 46204

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CONNIE LAWSON

SPRING LEGISLATIVE UPDATE



STATE
SENATOR
CONNIE
LAWSON

INDIANA
STATEHOUSE
200 W. WASHINGTON
INDIANAPOLIS, IN
46204

1-800-382-9467

S24@IN.GOV



WHY YOU SHOULD READ THIS NEWSLETTER:

The recently completed legislative session created a great deal of public interest. However, you may not have heard the complete story. Please take a moment to read the information within this publication before forming your own opinions about Indiana's current state of affairs.

Proposed Property Tax Relief	Senate passed version	House passed version
Residential Property Tax	25% average decrease	10% average decrease
Agricultural Property Tax	40% average decrease	12% average decrease
Business Property Tax	55% average decrease	24% average decrease

This chart shows simply how the Senate was working in the best interest of Hoosiers by insisting upon substantial property tax relief.

Read Why Indiana Needs to
Control Property Taxes

Dear Friends:

Like many states, Indiana is facing a financial bottom-line far below the levels of just a few years ago. However the budget shortfall does not dictate massive cuts in state funding for local schools. In fact, it should not be necessary to lay off teachers due to Indiana's fiscal condition today.

Even if the 2002 Legislature had passed the tax increases requested by Governor O'Bannon to fund the state budget, not one more dollar would have been available to schools. Revenue generated by tax increases would have gone to finance more state spending. In the end, a majority of my Senate colleagues and I were not convinced that taxes should be raised during an economic downturn to avoid government belt-tightening.

In December of 1998, the Indiana Supreme Court ruled that the way property in Indiana is taxed is unconstitutional. Consequently, reassessment based on market value is now underway. The impact on some classes of property owners will be significant.

Although lawmakers did not accomplish a top-to-bottom overhaul of the state tax structure, the discussion of where we need to go in the future was begun. Let me assure you that the challenge remains before us and I am committed to getting the job done. However, the philosophical differences between the Governor's and Senate Republicans' position on tax increases for the budget cannot be overstated.

I remain committed not only to easing the effects of the property reassessment currently underway, but also to achieving a permanent and meaningful reduction in the unfair property tax and to creating a tax structure which will restore economic vitality to the Hoosier state. An article in this newsletter gives the dismal statistics concerning jobs and economic development in Indiana.

We are reminded that some four years of work went into Indiana's last major tax reform package in 1973. The 2002 Legislature marked the beginning of work to restructure our tax system and create a tax climate that will stimulate Indiana's failing economy, recognizing that education is a non-negotiable opportunity: the opportunity for employment and quality of life.

Sincerely,

Connie Lawson

Connie Lawson
State Senator



SENATOR CONNIE LAWSON'S SPRING UPDATE

ALTERNATIVES TO EDUCATION CUTS ABOUND

Because the 2002 Legislature did not adopt the tax increases requested by Gov. Frank O'Bannon, we have heard from the O'Bannon-Kernan Administration that massive education cuts and teacher lay-offs are imminent. Let me express as clearly as possible: **state funding cuts which result in teacher lay-offs are not necessary.**

Our fiscal experts have shown that over-inflated figures - from a \$850 million deficit to a \$1.5 billion deficit - continue to overshadow reality. Our calculations conclude that by June 30, 2003, the state would still have about \$200 million in its reserve accounts.

Since the governor still contends that education cuts are necessary despite the projected \$200 million in reserve accounts, I have suggested examining other strategies which would prevent cuts in funding of education. For example:

- Reduce one percent of base expenditures in consultant contracts, overtime, and the vehicle fleet. **Potential savings: \$100 million.**
- Transfer funds from inactive accounts outside the general fund that carry balances above their needs, or take more revenues than their purposes require. **Potential savings: \$278.4 million.**
- Take monthly bids on prison food rather than procure it all through a prime vendor. In September 2000, the state changed the way it purchases food for its 20,000 prison inmates. Instead of taking monthly competitive bids, which enabled several food suppliers to compete, it selected two so-called prime vendors to provide \$25 million of food products this year. By reinstituting the bidding process, the state would **save \$1 million to \$5 million per year.**
- Place a freeze on buying vehicles. On March 18, 2002, Indiana Legislative Insight reported that the state Department of Natural Resources, which replaces one-third of its fleet at 75,000 miles each year, purchased 29 new Ford Expedition SUVs at a price of \$27,286 each. If the DNR had chosen to delay this buy due to the budget shortfall, **the state would have saved over \$750,000.**
- Eliminate the annual budget for Central State Hospital in Indianapolis where there have been no patients since 1994. **Potential savings: \$550,000.**
- Long after the passage of the current state budget, the governor purchased a new **\$4 million state airplane** complete with leather seats and a mini-bar. When faced with a similar economic downturn, Governor Evan Bayh sold the governor's plane.

Taking common-sense steps to slow state spending is called for. Using scare tactics to frighten teachers, students and parents into supporting a tax increase is not.

MANY ISSUES CONSIDERED DURING LEGISLATIVE SESSION

Despite the fact that a tax restructuring proposal and balanced budget plan were not approved during the 2002 session of the Indiana General Assembly, other important legislation including several measures to protect Hoosier consumers was approved during the short session.

- * House Bill 1015 permits the attorney general to investigate and take action against retailers of fuel who engage in **fuel price gouging**. Offenders could face a \$1000 fine per violation.
- * Senate Bill 212 will **amend Indiana's Deceptive Sales Act** to make it illegal to knowingly sell or resell a product that has been recalled.
- * **Special interest efforts to weaken the Telephone Privacy Law were beaten back by the legislature.** The introduced bill would have increased the number of calls that could be made to consumers by telemarketers.
- * House Bill 1202 would have allowed school corporations to obtain limited background checks and criminal histories on all employees, rather than just new employees as is allowed by current law. It also required a prosecuting attorney to notify the state superintendent of public instruction and the employer when a licensed employee is convicted of certain offenses. Unfortunately HB 1202 was vetoed by the Governor.
- * Senate Bill 19, vetoed by the governor, would allow churches and religious organizations the same 150 acre property tax exemption that is currently given to educational and other non-profit institutions.
- * House Bill 1001 establishes the Counterterrorism and Security Council and permits a person to use reasonable force to prevent another person from hijacking or seizing an aircraft in flight.
- * Senate Bill 367 is designed to strengthen Indiana's sex offender registry by creating an Internet registry which includes current photographs and addresses of convicted sex offenders residing or owning property in Indiana.

WHY DOES INDIANA NEED TO RESTRUCTURE TAXES?

Indiana's economic situation is dismal. Our state relies too heavily on property taxes to fund local government and schools. Due to our antiquated tax structure, many businesses are hesitant to locate here and existing businesses in Indiana have no incentives to expand their operations.

This affects every single Hoosier.

-Over the past 24 months Indiana has lost over 100,000 jobs, many in the manufacturing sector. Indiana now leads the nation in job loss - no other state even comes close.

However, these jobs aren't being replaced.

-Indiana is **50th** in the nation in new job creation.

-Over 80% of new jobs will be technology related. Indiana ranks 34th in information technology businesses at just 3.8% of total companies.

-In recent years, the average annual income of Hoosiers has not kept pace with the national average. If it had, that alone would have generated over \$1 billion in additional taxes each year.

Other States around us have already restructured their taxes.

-Indiana is one of only three states in the Midwest that still taxes inventory as part of the business personal property tax.

Add that to the coming property tax reassessment and Indiana has a recipe for economic disaster.

Source: Bureau of Labor Statistics.

Senator Lawson's 2002 Legislative Survey Results

More than 3,000 constituents replied to my legislative survey which was devoted entirely to the tax restructuring and budget issues.

Thank you to everyone who responded or otherwise expressed their views.

1. Which should the state use to resolve the current fiscal crisis:

- A. Higher Taxes--3.4%
- B. **Reduced Spending--67.1%**
- C. A combination of both--29.5%

2. Do you support Governor O'Bannon's call for a 50-cent per-pack increase in the state cigarette tax?

- A. No--38.8%
- B. **Yes--61.2%**

3. During a recession, is it acceptable for the state to increase taxes to maintain the same level of government services provided during good economic times?

- A. **No--90.5%**
- B. Yes--9.4%

4. Should Indiana's tax system be "restructured" to decrease the reliance upon local property taxes by:

- A. Raising state income taxes--3.9%
- B. **Raising sales taxes--43.2%**
- C. A combination of both--16.5%
- D. Do not change the tax structure--36.2%

5. In regard to state income taxes, should Indiana:

- A. **Continue to tax all income at the same rate--59.9%**
- B. Apply a higher tax rate to income above a certain level--40.0%

6. Do you favor eliminating the inventory tax as a part of a program of tax restructuring?

- A. No--32.0%
- B. **Yes--67.9%**

7. Should the state's share of gambling profits, currently earmarked for Build Indiana Fund, be diverted to help ease the state budget crisis?

- A. No--27.8%
- B. **Yes--72.1%**

8. Should the state's sales tax be expanded to include services?

- A. **No--76.5%**
- B. Yes--23.4%

9. The O'Bannon-Kernan Tax Plan would increase state income and sales taxes, and create a new business tax to reduce the adverse effects of this year's reassessment of property. Should the Legislature adopt this plan?

- A. **No--82.1%**
- B. Yes--17.7%

10. In general, do you support the O'Bannon-Kernan plan for restructuring taxes and addressing the projected budget shortfall?

- A. **No--85.1%**
- B. Yes--14.9%